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REMARKS

Claims 1-21 are pending in the present application. The claims have been carefully reviewed with particular attention to the points raised by the Office Action. It is submitted that no new matter has been added and no new issues have been raised by the present response.

Applicant respectfully notes the requirement of submission of a certified copy of the foreign priority document, and submits that the foreign priority document will be submitted immediately upon its availability.

Claims 1-2, 4-5, 7, 13-14, 16, and 18-19 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over R.P. Carlson, "Physician Practice Management Companies: Too Good to be True?," Family Practice Management (April, 1998) (hereinafter "Carlson"), in view of P.Z. Jackson et al., "Practice Valuation in Healthcare," The National Public Accountant, Vol. 45 (Feb/Mar 2000) (hereinafter "Jackson et al."). Claim 3 was rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of J.A. Halloran et al., "Introduction to Financial Management," pp. 157, 185 (1985) (hereinafter "Halloran et al."). Claims 6-7 and 15 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in

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view of Jackson, and further in view of K.M. Kennedy et al., "Physician Equity in Health Care Delivery Systems: Three Alternative Models," Journal of Health Care Finance, 1998:24(2):36-47 (hereinafter "Kennedy et al."). Claims 8, 10-12, and 20 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of R. Gibbons, "Incentives in Organizations," The Journal of Economic Perspectives, Vol. 12, No. 4 (Autumn, 1998) (hereinafter "Gibbons"). Claims 9, 17, and 21 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of R.L. Lindstrom et al., "Comanagement," Ophthalmic Surgery and Lasers, Vol. 29, Iss. 1 (Jan. 1998) (hereinafter "Lindstrom et al.).

Applicant respectfully submits that claims 1-21 are patentable over the cited references, taken independently or in combination, for at least the following reasons.

Regarding the rejection of claims 1-2, 4-5, 7, 13-14, 16, and 18-19, the Office Action cites page 1, paragraph 2 of Carlson as allegedly disclosing an IBU, and particularly an "individual business unit being a solo practitioner" (see Office Action, p. 3, lns. 7-9).

Carlson discloses physician practice management companies ("PPMCs") that generate revenues from acquired practices and

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management services contracts with independent practice associations ("IPAs"). The PPMCs have a primary role of being strategic partners for physicians. As previously stated and as quoted in the Office Action, the section of Carlson referred to states: "... solo practitioners, group practices, and even clinics of several hundred physicians are looking for partners with the necessary capital and organizational expertise and experience to help them innovate and grow" (see Carlson, p. 1, ¶ 2). The Office Action further states that Carlson discloses capitalizing a profit of an IBU, and cites page 6, paragraph 6 of Carlson as stating: "[i]f you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money" (see Office Action, p. 4, lns. 8-12).

It is respectfully submitted, however, that Carlson does not disclose the IBU of the present application. As understood by Applicant, Carlson discloses that physicians may collaborate with entities having capital and management resources, and that those physicians may capitalize their compensation. Indeed, it is respectfully submitted that, as understood by Applicant, Carlson is silent regarding the determination of a portion of a future revenue of an economic entity, where the portion is

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attributable to an IBU within that economic entity, as recited in independent claim 1.

As stated in the specification, "[a]s an IBU 12, each doctor has a gross revenue 14 allocated to it. Generally, the gross revenue of a doctor is substantially equal to the service fees or gross billings collected from the patients or their insurance companies. Each IBU 12 pays retained earnings 16 to the practice owner 10. The retained earnings item 16 is equivalent to the amount of money guaranteed to be paid by the doctor to the practice owner 10 for the privilege of practicing medicine in the work environment provided by the practice owner 10. The retained earnings 16 to be paid to the owner 10 is often a percentage of the revenue of the doctors" (see specification, p. 4, ln. 17 to p. 5, ln. 2).

Furthermore, as understood by Applicant, Carlson does not disclose or suggest capitalization through utilization of a discount factor, as described in the present application (see *id.*, p. 7, lns. 1-4). Likewise, Carlson is not seen to disclose or suggest the determination of a future revenue, and of the attribution of a portion of that future revenue to the IBU, as described in the present application as recited in independent claim 1.

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Moreover, it is respectfully submitted that there is no disclosure or suggestion in Carlson of capitalizing a future profit stream, as recited in amended independent claim 1. In contrast, as stated in the specification, "... the profit item 22 according to the present invention belongs to the individual business unit 12 that earned it. The expected future profit 22 over a predetermined time period is capitalized which can then be sold as a tradable commodity" (see specification, p. 5, lns. 13-15).

The Office Action notes that Carlson fails to disclose this missing feature, and cites Jackson et al. as allegedly teaching methods of practice valuation and as allegedly disclosing a discounted cash flow used to value a practice (see Office Action, p. 4, lns. 15-22).

Jackson et al., as understood by Applicant, relates to the engagement of professional accountants for the enhancement of the quality of practice valuation engagements. Jackson et al. apparently discloses that practice valuation may be performed to arrive at a fair market price for a practice, and that one method for practice valuation may include a discounted cash flow method.

It is respectfully submitted, however, that there is no disclosure or suggestion in Jackson et al. of determining a

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portion of a future revenue of an economic entity which is attributable to an IBU, determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as recited in independent claim 1.

Regarding the rejection of claims 3, 6, 8-12, 15, 17, and 20-21, it is respectfully submitted that none of the references, alone or in combination, disclose or suggest the methods and results of the present application.

Halloran et al., as understood by Applicant, relates to an investment valuation model that enables financial managers to apply a value maximization criterion to the evaluation of proposed investing and financing decisions, and to calculation of a present value by discounting a single sum.

Kennedy et al., as understood by Applicant, relates to the merging, acquiring, or affiliation of health care organizations with physician groups during the 1990s. Models of health care organization are examined.

Gibbons, as understood by Applicant, relates to a summarization of new strands in agency theory related to incentives in real organizations.

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Lindstrom et al., as understood by Applicant, relates to cooperative patient-centered, or individual-centered, comanagement of health care.

It is respectfully submitted, however, that neither Halloran et al., Kennedy et al., Gibbons, nor Lindstorm et al., alone or in combination with each other or with Carlson or Jackson et al., disclose or suggest a method of incentivizing a person by determining and providing a tradable capital value of the person, comprising determining a portion of a future revenue of an economic entity which is attributable to an IBU, the IBU representing a person in the economic entity, determining a portion of a future cost of the economic entity which is attributable to the IBU, determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as described above and as recited in independent claim 1.

Applicant additionally respectfully submits that none of the cited references of record are directed to a method of incentivizing a person by determining and providing a tradable capital value of the person, as recited in independent claim 1. As discussed above, Carlson discusses PPMCs and their acquiring of practices; Jackson et al. discloses practice valuation including a discounted cash flow method; Halloran et al.

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discloses an investment valuation model; Kennedy et al. relates to the merging or acquiring of health care organizations with physician groups; Gibbons summarizes new strands in agency theory; Lindstrom et al. discusses patient-centered comanagement of health care. It is submitted that none of the references are directed to consideration of persons in an economic entity as IBUs, each with its own allocated revenue, cost, and profit controlled by the IBU, such that each IBU's effort is linked to its own profit potential, resulting in the creation of a substantial incentive for the IBU to increase its capitalized value (see specification, p. 2, ln. 15 to p. 3, ln. 5).

It is respectfully submitted that none of the cited references, alone or in combination, teach or suggest capitalizing the determined profit of the IBU through the use of an allocation factor n. As stated in the specification, an allocation factor n may be used to represent a portion of a line item that is attributable to an IBU (see id., p. 11, lns. 16-17). The allocation factor may be different for each IBU and for each line item, and the allocation factor may be applied to values representing retained earnings, total costs, gross salaries, and the like (see id., p. 12, lns. 6-20).

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Exemplary applications of the allocation factor in capitalizing the future profit stream of an IBU are set forth in the specification. For instance, equation (3), which reads: " $w = [G_n - (R_n + C_n + S_n) - sv - cv/4] \times t \times y$ ", and which may be simplified as shown in equation (4): " $w = (P_n - sv - cv/4) \times t \times y$ " (see *id.*, p. 14, ln. 5 to p. 15, ln. 4). As stated in the specification, the net profit P is the sum of P_n for all IBUs. That is, in an exemplary embodiment, the allocation factor n relates to the status of an individual within an organizational structure, and is representative of their contribution to the overall profit of the structure. Individual status may, for instance, be roughly represented by such things as salary or title.

It is respectfully submitted that the method of incentivizing a person of the present application is not shown or disclosed by the cited references. Furthermore, with respect to the embodiments described above, Applicant respectfully submits that at no stage in economic history has the Cap Value of individuals been recognized since the time of slavery, with the exception of "star" status. With slavery, that Cap Value was not paid to the slave. In the method of the present application, the Cap Value is always controlled, or owned, by the individual and only sold for time periods based

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on productivity of the person themselves over which they have responsibility, and is in relation to the Cap Value or profit value of the organization. It must be noted that this model refers to general enhancement of productivity of an individual in that it produces an "ownership" without shareholding of the value of the business, and this is both economic and emotional. Further, it means that persons have a sense of self esteem related to their tradable Cap Value and can increase this by enhancing their "n" factor.

Moreover, it is respectfully submitted that there is no motivation or suggestion in the references to combine the cited elements in the manner indicated by the Office Action.

In the section of the Office Action entitled "Response to Arguments," the Office Action states that Carlson discloses a person or persons, and therefore discloses an IBU as recited in the present application (see Office Action, p. 22, lns. 10-15). Applicant respectfully disagrees. The IBU of the present invention encompasses more than "a person or persons" as alleged by the Office Action. As stated in the specification, "... the present invention considers one or more persons or workers in an economic entity as individual business units ("IBU") each with its own allocated revenue, cost and profit which can be controlled by the IBU. ... In effect, each IBU is

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valued as a business within the larger economic entity in which the IBU works" (see specification, p. 2, lns. 10-14). The profit stream of the IBU belongs to the IBU itself. The profit stream of the IBU may be capitalized over a predetermined time period and transferred as a tradable commodity by the IBU, for instance, through sale for a cash value or exchange for an equity stake (see id., p. 5, lns. 13-21). That is, the IBU is not "a person or persons" as alleged by the Office Action, but rather a business unit associated with a person, and having control over its own allocated revenue, cost, and profit.

The section of the Office Action entitled "Response to Arguments" further reiterates the citation to page 4, paragraph 12 of Jackson et al., as disclosing the use of a discounted cash flow method utilizing future earnings (see Office Action, p. 23, lns. 4-14). It is respectfully submitted, however, that Jackson et al. does not teach or suggest an IBU, nor an IBU having control over its own allocated revenue, cost, and profit, as recited in the present application. Likewise, as stated in the Office Action, Carlson is silent on the determination of a future revenue, cost, or profit.

The Office Action states that the references are relied upon in combination, and that therefore they may not be attacked individually (see id., lns. 17-21). It is

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respectfully submitted, however, as recognized by the Office Action, that a determination of obviousness requires some teaching, suggestion, or motivation to make the combination, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art.

As recently emphasized by the Federal Circuit in In re Dembiczak, 175 F.3d 994, 50 USPQ2d 1614 (Fed. Cir. 1999), to reject an inventor's claim for obviousness in view of a combination of prior art references, a showing of a suggestion, teaching, or motivation must be "clear and particular." The Court continued on to state: "[t]he range of sources available, however, does not diminish the requirement for actual evidence. That is, the showing must be clear and particular. (citations omitted) Broad conclusory statements regarding the teaching of multiple references, standing alone, are not 'evidence.'"

Likewise, the Federal Circuit has stated that the burden of showing obviousness of the combination may be satisfied "only by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references." In re Fritch, 972 F.2d 1260, 1265, 23 USPQ2d 1780, 1783 (Fed. Cir. 1992). Similarly, in In re Lee, 277 F.3d 1338, 61 USPQ2d 1430 (Fed. Cir. 2002), the

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Federal Circuit held that it was an error to reach a conclusion of obviousness based on "common knowledge and common sense of a person of ordinary skill in the art without any specific hint or suggestion in a particular reference." The Court went on to state: "[t]he factual inquiry whether to combine references must be thorough and searching. ... It must be based on objective evidence of record. This precedent has been reinforced in myriad decisions, and cannot be dispensed with." Id. See also, In re Dembiczak, 175 F.3d 994, 999, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999) ("[o]ur case law makes clear that the best defense against the subtle but powerful attraction of a hindsight-based obviousness analysis is rigorous application of the requirement for a showing of the teaching or motivation to combine prior art references."); In re Kotzab, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1317 (Fed. Cir. 2000) ("particular findings must be made as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed").

It is respectfully submitted that there is no "clear and particular" showing of a suggestion, teaching, or motivation to combine the teachings of the multiple cited references in the manner suggested by the Office Action.

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It is therefore respectfully submitted that none of the cited references, alone or in combination, disclose or suggest a method of incentivizing a person by determining and providing a tradable capital value of the person, comprising determining a portion of a future revenue of an economic entity which is attributable to an IBU, the IBU representing a person in the economic entity, determining a portion of a future cost of the economic entity which is attributable to the IBU, determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as described above and as recited in independent claim 1.

Accordingly, Applicant respectfully submits that independent claim 1, and the claims depending therefrom, including claims 2-12, are patentable over the cited references. Independent claims 13 and 18, and the claims depending therefrom, including claims 14-17 and 19-21, are believed to be patentable over the cited references for at least similar reasons.

Withdrawal of the rejections of claims 1-21 is respectfully requested.

This communication is believed to be fully responsive to the Office Action and every effort has been made to place the application in condition for allowance. The claims are

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believed to be patentable over the cited art and a favorable Office Action is earnestly solicited.

If a telephone interview would be of assistance in advancing prosecution of the present application, the Examiner is respectfully invited to contact the undersigned at the telephone number provided below.

No fee is believed to be due in association with the present response. If, however, a fee is due in association with the present response, the Commissioner is hereby authorized to charge our deposit account number 02-0393.

Favorable reconsideration is earnestly solicited.

Respectfully submitted,

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By: 

Anthony V. Flint
Registration No. 55,186
Baker & McKenzie LLP
1114 Avenue of the Americas
New York, NY 10036
Telephone: (212) 626-4100
Facsimile: (212) 310-1600